

# ABOUT CRL

**County Reinsurance, Limited (CRL)** is a member-owned reinsurance company. The company was formed in 1997 by county associations looking for a better way to provide reinsurance to their self-insured pools. *The National Association of Counties (NACo) and state association executives played a critical role in the formation of the company.*

CRL is organized as a captive insurance company and is domiciled in the state of Vermont. The company's legal structure as a mutual insurance company means that the members of the company own the company. In addition, CRL is organized as a non-profit company and is exempt from state and federal income taxes. All CRL members are also organized as non-profit companies.

CRL provides property, liability, and workers' compensation reinsurance to its members. As a reinsurance company, CRL does not provide direct coverage or state approved "admitted" policies. In several instances CRL enters into reinsurance agreements with a state-approved insurance company to meet state regulatory requirements for an "admitted" company. In those instances, CRL Members receive a policy from an insurance company admitted to do business in their particular state, and CRL reinsures that state-approved insurance company.

*CRL maintains an administrative office in Clemmons, North Carolina.*

Questions about **CRL** may be directed to **Philip E. Bell, Executive Director**, at (336) 354-4053.

# LETTER TO MEMBERS

Dear Members:

*We are pleased to present County Reinsurance, Limited's (CRL's) Annual Report for 2016. Here are the major highlights of the year:*



- The **Mississippi Association of Supervisors Insurance Trust** joined the CRL property program on April 1, 2016.
- The **Association of County Commissions of Alabama Liability Self-Insurance Fund** joined the CRL property program on August 31, 2016.
- **Net Premiums Earned** increased from **\$29,449,900** to **\$30,897,300**, a **4.9% increase**.  
*Most of this increase can be attributed to the new members mentioned above.*
- The company had operating income of **\$824,900** for the year. Investment income was **\$5,753,400**, resulting in **Net Income of \$6,578,300**. The operating income was a combination of positive results in the current year, and negative loss development in prior years. The investment income was primarily interest income.

- **Members' Equity** increased from **\$48,755,200** to **\$55,584,900** a **14.0% increase**.

*We discuss these results in more detail in the following pages. We have also included additional material to reflect our 20 years of progress and development.*

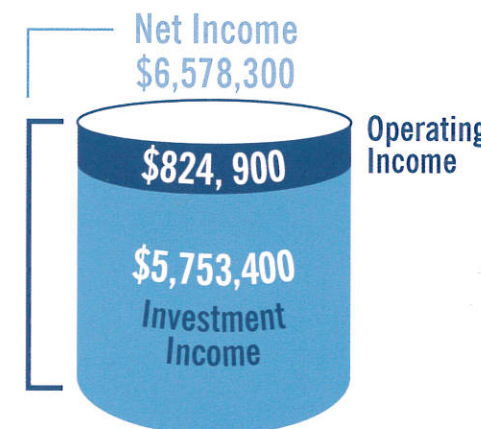
Please let us know if you have any comments or questions.



**Member Equity**  
Increased 14%

**Ron Lethgo**  
Chair of the Board

**Philip E. Bell**  
Executive Director





## MANAGEMENT'S DISCUSSION &amp; ANALYSIS

**Underwriting Results**

County Reinsurance, Limited's (CRL's) Net Premiums Earned increased from \$29,448,900 to \$30,897,300, a 4.9% increase. Most of this increase can be attributed to the Mississippi Association of Supervisors Insurance Trust joining the property program on April 1, 2016, and the Association of County Commissions of Alabama Liability Self-Insurers Fund joining the property program on August 31, 2016.

Chart 1 (pg. 5) illustrates changes in CRL's premiums and Members from 2007 to 2016.

↑ 4.9%

The company had Operating Income of \$824,900 for the fiscal year ending December 31, 2016. The operating income was a combination of positive results in the current year, and negative loss development in prior years.

Two of CRL's Strategic Goals are Financial Security and Underwriting Excellence. Our Underwriting procedures have been adjusted to achieve a long-term combined ratio of 95%. This adjustment will enhance CRL's financial security, while also addressing the inherent volatility in loss activity for a reinsurer. The combined ratio for 2016 was 97.4%. We have achieved our target in four of the last six years.

Chart 2 (pg. 5) shows a summary of the results of the company from 1997 to 2016.

**Investment Results**

CRL has a comprehensive Investment Policy designed to support its primary underwriting function. Most of CRL's assets are in investment grade fixed income products. CRL also invests in Risk Assets. At CRL, we define Risk Assets as anything outside of investment grade fixed income products, including domestic and international equity investments, high yield bonds, and international bonds. Our current investment policy allows investment in Risk Assets at no more than 25% of Surplus. On December 31, 2016, CRL held approximately 22.4% of Surplus in Risk Assets.

CRL's portfolio benchmark is customized and market-weighted to better represent the strategic characteristics of the portfolio, which in turn supports CRL's liabilities. With the inclusion of Risk Assets, the custom portfolio benchmark now consists of a fixed income component representing the core investment grade fixed income portfolio and a Risk Asset component. For the year, CRL's investment portfolio produced a return of 3.12% compared to a benchmark return of 2.90%.

Chart 3 (pg. 5) illustrates the growing assets of the company from 2007 to 2016.

CRL actual  
3.12%

Benchmark  
Return  
2.9%

Investment Return

**Net Income**

CRL's Net Income for the year ending December 31, 2016 was \$6,578,300. This included Operating Income of \$824,900 and Investment Income of \$5,753,400.

**Contributed Capital**

CRL receives contributed capital from two primary sources. First, the company requires a minimum ratio of capital to premium for each member. Current members may be required to contribute additional capital if a member's capital drops below minimum ratios. Second, new members are required to contribute this capital upon joining the company, as a condition of membership. This requirement helps maintain CRL's surplus at acceptable levels, but also gives an ownership incentive to the members of the company. CRL received \$251,300 in contributed capital during 2016.

↑ 14%

**Members' Equity**

Members' Equity increased from \$48,755,200 to \$55,584,900 in 2016, a 14.0% increase. This change came from Member Contributions of \$251,300 and Net Income of \$6,578,300.

Chart 4 (pg. 5) illustrates the changes in Members' Equity from 2007 to 2016.

**Reinsurance**

CRL offers property, liability, and workers' compensation reinsurance to its members. The company has partnerships with additional reinsurance companies to add stability and capacity to its overall program.

The company currently retains liability business between a member's self-insured retention and up to \$3,000,000. The company retrocedes premiums and claims for losses above this amount to Lexington Insurance Company. Lexington Insurance Company has an A.M. Best rating of A (Excellent).

The company currently retains workers' compensation business between the member's self-insured retention and up to \$3,000,000. The company also retains an aggregate amount of \$1,500,000 excess of \$3,000,000. Safety National Casualty Corporation (SNCC) provides the remaining statutory limits for the program. In those states that require an admitted company, SNCC issues a policy directly to the CRL Member, and CRL reinsures SNCC for its portion of the premium and losses. SNCC has an A.M. Best rating of A+ (Superior).

CRL also provides property reinsurance to twelve member pools. CRL currently retains property business between the member's self-insured retention and up to \$2,000,000. The member pools purchase additional reinsurance coverage and limits from additional companies.





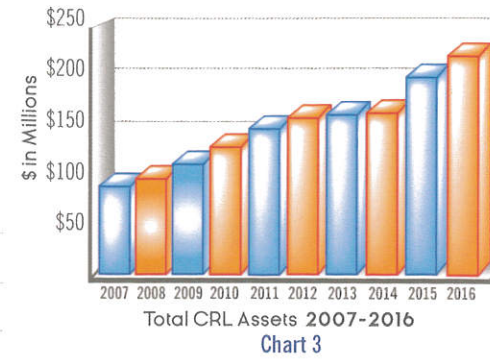
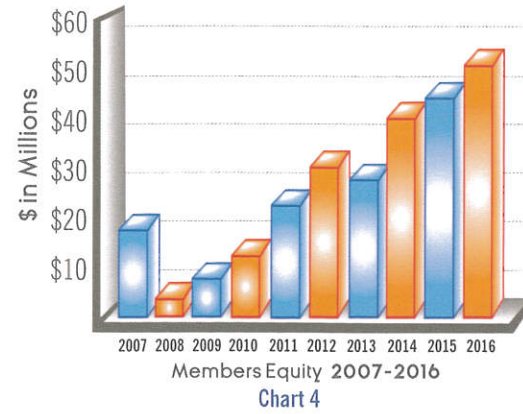
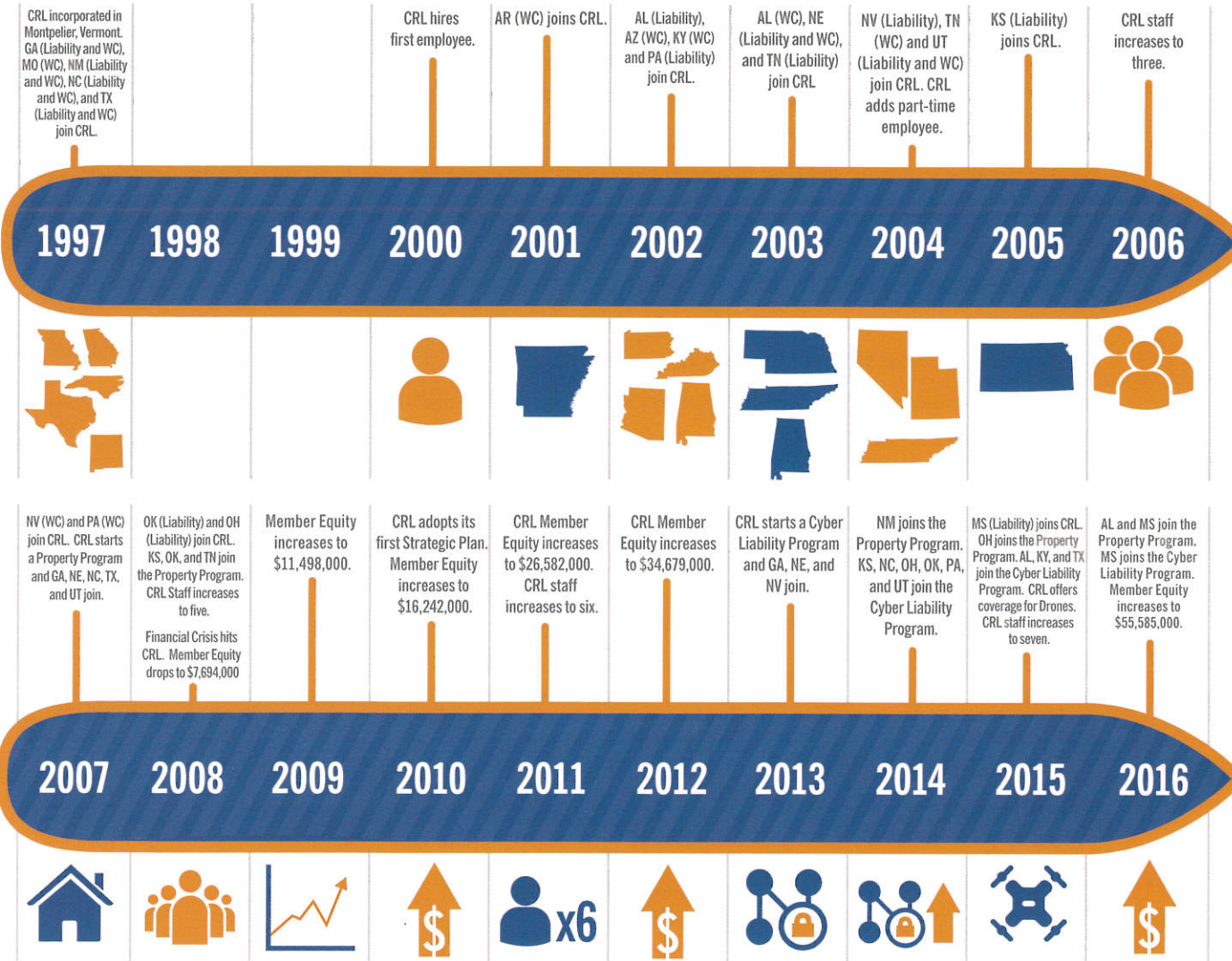
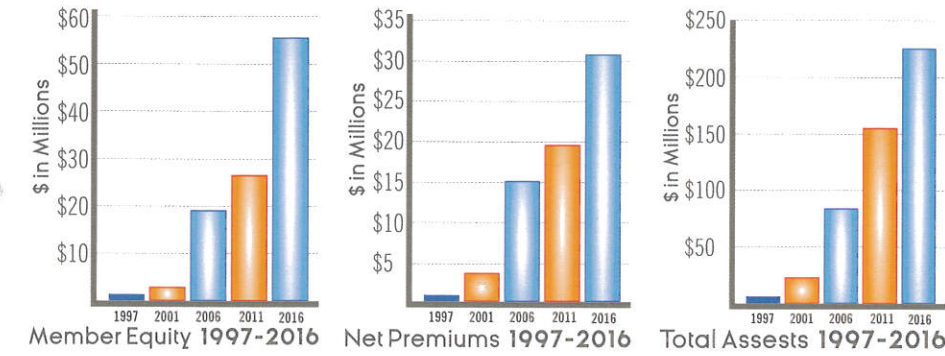


Chart 2

Years Ending Dec. 31,	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net Premiums Earned	\$995,773	\$3,918,954	\$3,944,881	\$4,146,792	\$3,853,446	\$5,029,130	\$9,019,816	\$13,187,947	\$14,812,328	\$15,325,265
Operating Income	\$(17,948)	\$(87,302)	\$77,561	\$(477,331)	\$(938,214)	\$(1,716,469)	\$(362,852)	\$1,515,615	\$528,587	\$(687,267)
Net Investment Income	\$61,213	\$242,025	\$437,167	\$666,527	\$717,866	\$(650,030)	\$888,492	\$2,271,794	\$2,765,084	\$3,828,176
Net Income	\$43,265	\$154,723	\$514,728	\$189,196	\$(220,348)	\$(2,366,499)	\$525,640	\$3,787,409	\$3,293,671	\$3,140,909
At December 31,	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Total Assets	\$6,260,045	\$13,414,829	\$19,859,637	\$21,370,035	\$23,101,292	\$31,145,589	\$44,442,266	\$58,421,265	\$70,943,760	\$84,760,980
Total Liabilities	\$4,887,274	\$11,295,521	\$17,085,357	\$18,070,335	\$20,001,094	\$29,530,000	\$37,851,840	\$46,131,914	\$55,730,576	\$65,610,922
Total Member Equity	\$1,372,771	\$2,119,308	\$2,774,280	\$3,299,700	\$3,100,198	\$1,615,589	\$6,590,426	\$12,289,351	\$15,213,184	\$19,159,058
CRL Members	8	10	10	10	10	14	18	21	22	22

Years Ending Dec. 31,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Premiums Earned	\$17,543,593	\$19,654,835	\$18,557,515	\$18,418,749	\$19,684,158	\$21,707,097	\$24,936,553	\$26,621,335	\$29,448,895	\$30,897,291
Operating Income	\$(3,632,387)	\$(3,487,613)	\$(1,101,496)	\$(1,842,451)	\$3,050,397	\$2,521,689	\$(1,742,149)	\$6,141,761	\$1,930,385	\$824,918
Net Investment Income	\$5,309,227	\$(6,446,767)	\$4,027,917	\$5,669,136	\$7,110,442	\$5,525,120	\$(1,232,059)	\$6,534,378	\$1,665,312	\$5,753,427
Net Income	\$1,676,840	\$(9,934,380)	\$2,926,421	\$3,826,685	\$10,160,189	\$8,046,809	\$(2,974,207)	\$12,676,139	\$3,595,697	\$6,578,345
At December 31,	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Assets	\$107,064,249	\$109,345,608	\$121,330,105	\$137,891,637	\$155,589,163	\$166,187,749	\$169,554,275	\$190,408,116	\$205,274,030	\$226,075,620
Total Liabilities	\$85,049,651	\$101,651,901	\$109,832,427	\$121,649,287	\$129,007,227	\$131,508,531	\$137,536,061	\$145,541,684	\$156,518,801	\$170,490,747
Total Member Equity	\$22,014,598	\$7,693,707	\$11,497,678	\$16,242,350	\$26,581,936	\$34,679,218	\$32,018,214	\$44,866,432	\$48,755,229	\$55,584,873
CRL Members	24	24	23	23	23	23	24	25	27	27

## 20 YEAR ANNIVERSARY





## MEMBERS OF CRL

Arizona Counties Insurance Pool, represented by Mr. William Hardy  
 Association County Commissioners of Georgia - Interlocal Risk Management Agency, represented by Mr. Ross King  
 Association County Commissioners of Georgia - Group Self-Insurance Workers' Compensation Fund, represented by Mr. Ross King  
 Association of Arkansas Counties Workers' Compensation Trust, represented by Mr. Chris Villines  
 Association of County Commissioners of Oklahoma Self Insured Group, represented by Mr. Dusty Birdsong  
 Association of County Commissions of Alabama Liability Self-Insurance Fund, represented by Mr. Sonny Brasfield  
 Association of County Commissions of Alabama Workers' Compensation Self Insurers' Fund, represented by Mr. Sonny Brasfield  
 County Risk Sharing Authority, represented by Mr. David Brooks  
 Kansas County Association Multiline Pool, represented by Mr. David Luke  
 Kentucky Association of Counties Workers' Compensation Fund, represented by Mr. Mark Miller  
 Kentucky Association of Counties - All Lines Fund, represented by Mr. Mark Miller  
 Local Government Property and Casualty Fund, represented by Mr. Robert Wormsley  
 Local Government Workers' Compensation Fund, represented by Mr. David Seivers  
 Mississippi Association of Supervisors Insurance Trust, represented by Mr. Derrick Surrette  
 Missouri Association of Counties Self-Insured Workers' Compensation Fund, represented by Mrs. Carol Green  
 Nebraska Intergovernmental Risk Management Association, represented by Mr. Craig Nelson  
 Nebraska Intergovernmental Risk Management Association II, represented by Mr. Craig Nelson  
 New Mexico County Insurance Authority Multi-Line Pool, represented by Mr. Ron Lethgo  
 New Mexico County Insurance Authority Workers' Compensation Pool, represented by Mr. Ron Lethgo  
 Nevada Public Agency Compensation Trust, represented by Mr. Wayne Carlson  
 Nevada Public Agency Insurance Pool, represented by Mr. Wayne Carlson  
 North Carolina Association of County Commissioners -  
 Joint Risk Management Agency Workers' Compensation Fund, represented by Mr. Michael Kelly  
 North Carolina Association of County Commissioners -  
 North Carolina Counties Liability and Property Joint Risk Management Agency, represented by Mr. Michael Kelly  
 Pennsylvania Counties Risk Pool, represented by Mr. John Sallade  
 Pennsylvania Counties Workers' Compensation Trust, represented by Mr. John Sallade  
 Texas Association of Counties Risk Management Pool, represented by Mr. Gene Terry  
 Utah Counties Indemnity Pool, represented by Mr. Johnnie Miller

## DIRECTORS &amp; OFFICERS OF CRL



Back Row: Michael Kelly, Craig Nelson, Ron Lethgo, David Seivers, Mark Miller, John Sallade

Front Row: Andy Sargeant, Philip Bell, Ross King, Carol Green, Sonny Brasfield, Gene Terry.

Mr. Ron Lethgo, Chair  
NEW MEXICO

Mr. Sonny Brasfield, Vice Chair  
ALABAMA

Mrs. Carol Green, Secretary  
MISSOURI

Mr. Craig Nelson, Treasurer  
NEBRASKA

Mr. Michael Kelly  
NORTH CAROLINA

Mr. Ross King  
GEORGIA

Mr. Mark Miller  
KENTUCKY

Mr. John Sallade  
PENNSYLVANIA

Mr. Andy Sargeant  
USA Risk Group of Vermont, Inc., (Resident Vermont Director)  
VERMONT

Mr. David Seivers  
TENNESSEE

Mr. Gene Terry  
TEXAS

